

Exhibit 3

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MEMO

Friday, December 04, 2009

TO: Jim Ennis, COO, CMG Holdings, Inc.

FR: Joe Wagner, Jean Wilson

RE: Capital Requirements and Operating Issues

Management Team

- ✓ Supporting business with personal credit cards – AMEX billing
- ✓ Operating in crisis mode since April
- ✓ Expenses outstanding
- ✓ Personal credit compromised

Payroll Tax Liability – Exposure and business shut down issue

Lack of Holding Company support for critical legal issues

- ✓ Requirement for S-K Partners to engage with CMG / XA
- ✓ Former Corporate entities – Fiori XA, XA Scenes, XA Interactive
 - o Fiori XA issue / Jean, Darren, Joe to form Studio AG
- ✓ Tax filings
- ✓ Legal issues
- ✓ Personal Liability

Holding Company Structure

- ✓ Accrued salary liability – impact on the financials
- ✓ Holding Company overhead supported by XA

Loss of Business – No pay reputation in the industry

- ✓ Modern Wing Art Institute \$600K
- ✓ Navy Pier PR Retainer \$288K

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- ✓ Discovery Ball \$200K

Expenses

- ✓ Paying a premium for services as result of late and slow payments
- ✓ Loss of long term vendor relationships
- ✓ Loss of preferred pricing and discounts
- ✓ Result – Cash margins for production work are as much as 10% lower, direct connect to bottom line

Need new projects for references and awards to garner new projects

XA Team – Potential loss of key team members

- ✓ Hard job made harder
- ✓ Not possible to keep staff from exposure to the cash deficit
- ✓ No benefits

Office Leases – Unresolved since April

- ✓ Loss of NY office and venue is possible
- ✓ Loss of opportunity to capitalize on a down market and get more favorable lease for Chicago

Bandwidth – XA team is over extended to service CMG relationships; no contracted business has resulted to date for PR or Production

Opportunity Costs

- ✓ Inordinate amount of Mgt team time is spent dealing with the fact there is no cash, capital or credit facility
- ✓ Business Development and Creativity is sacrificed
- ✓ Damage Control – Reactive as opposed to proactive
- ✓ Lack of Counsel – XA team has been left to internal means
- ✓ Risk Management – Holding company with no insurance
- ✓ UCC transaction comprised – No counsel to support
- ✓ XA CEO – Supporting Holding Company at XA expense